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PENSIONS IN FRANCE

PART 1: GENERAL SUMMARY

1. France has had a national pension system since 1910. The present system is based upon the Social Security Act of 1930, and particularly upon the 1945 amendments. The system covers employees in industry, commerce, finance, agriculture, and domestic service, but excludes employees in the field of Government administration and a number of specific industries for which separate plans exist. The normal retirement age is 65 for both sexes. Annual earnings, currently included, are limited to Frs. 456,000; about \$1,300 at the standard rate of exchange. The pension credit is 1-1/3% per year of service, with a maximum of 40% at age 65; increased for subsequent employment. The maximum annual pension is now Frs. 182,400, and the minimum for a worker, depending on the place of residence ranges from Frs. 56,400 to 63,200. Employees contribute 6% and employers 10% of earnings.
2. Pensions are paid as a matter of right. There is no means test except as to some "Old Workers Allowances", payable outside of the Social Security System.
3. Amplifying the national pension system is a compulsory supervisors pension plan, privately administered through a series of funds and on a disbursement (unfunded) basis. This applies to earnings between Frs. 456,000 and 1,824,000. Accrual of pension credits in this zone at present is about 1.2% per year of service.
4. Invalidity pensions and pensions to widows are part of the Social Security System. The same is true of the plan for supervisors, under which pensions are also provided for full orphans.
5. Private pension plans of a formal announced type are reported to be commonly provided by large employers, and also by many who are small in size. The rapid change in the value of the Franc has encouraged private pension plans which provide total pensions related to final earnings.
6. The conditions described herein are as of September 1, 1953.

PART 2: EMPLOYEE DATA

CLASSES OF EMPLOYEES

7. The Social Security laws do not differentiate among classes of employees, but the Convention Collective Nationale, establishing a supplementary pension plan for supervisory personnel, specifies which types of employees belong in this division. Furthermore, employer practices and union agreements result in three classes of personnel being generally recognized, namely:
  - (a) Workers, paid on an hourly basis.
  - (b) Employees, up to and including foremen, receiving salaries.
  - (c) Supervisors, above foremen, receiving salaries.

AVERAGE EARNINGS

8. As of June, 1953, the approximate average annual earnings, made available to us, of employees in certain industrial companies were:

	<u>Workers</u>	<u>Employees</u>	<u>Supervisors</u>
Average of 20 large industries	Fr. 470,000	Fr. 580,000	Fr. 1,450,000
Company A	470,000	625,000	1,450,000
Company B	400,000	555,000	1,585,000
Company C			
Male	560,000	580,000	1,450,000
Female	<u>410,000</u>	<u>460,000</u>	<u>920,000</u>
Average	490,000	530,000	1,400,000

9. The above averages do not include bonuses which are commonly paid in June and again in November or December, averaging in the aggregate about one month's additional pay.

10. We were advised that, upon the official exchange basis of Frs. 350 per U.S. dollar, wages in the United States on an average were about 2.5 times as high as those in France. The buying power in France, however, is reported to be perhaps 20% higher than the official exchange rate might indicate.

11. Compensation to all types of personnel has risen sharply in the post-war years, and further general increases are more than likely. See paragraph 31.

12. These earnings figures are of interest from a pension standpoint, because the Social Security pension applies, currently, only to the first Frs. 456,000 of annual earnings, and the supervisors plan to the next Frs. 1,368,000. It is not customary to include earnings of workers and employees over Frs. 456,000 in the supervisors plan, although it is permissible to do so. It is possible from the tabulation of earnings in paragraph 8 to get an idea of how much of the earnings fall in the zones to which the supervisors plan and supplementary private pension plans apply. It should be noted that many supervisors (a term which includes even the highest executives) earn far in excess of the maximum covered by that plan, and that in this higher zone additional benefits are customarily provided.

UNIONIZATION

13. Workers and employees are largely unionized, the principal union being the C.G.T., the CIO of France.

14. Supervisors are mostly members of unions operating in their fields.

15. Company sponsored unions are legal, but relatively few exist. There is no closed shop.

16. Employers associations negotiate with unions on an industry-wide basis.
17. Private supplementary pension plans have for some time been subject to union negotiation.
18. Four unions (C.G.T., C.F.T.C., C.G.C., and C.G.T-F.O) are a party to the Convention Collective Nationale which underlies the Supervisors Pension and Insurance Plan. C.G.C. is a supervisors union; the other three cover all classes of employees.

#### PART 3: SOCIAL SECURITY PENSION SYSTEM

19. France established its first pension system in 1910. Social Security legislation, which treated pensions on a different basis, dates from 1930. In 1941, "Old Workers Allowances" were introduced. The present system operates primarily under the law of October, 1945. The system covers employees in industry, commerce, finance, agriculture, and domestic service, but excludes employees in the fields of banking, electricity, gas, mining, railroading, and Government administration, for all of whom special plans exist.
20. The Social Security pension now applies only to the first Frs. 456,000 of annual earnings. Over the years, this figure has been raised to bring it into line with current conditions. See paragraph 31. Out of a French European employed population of about 25,000,000, somewhat less than 12,000,000 employed persons are now included under this system. Self-employed persons may be included under certain conditions. Reciprocal agreements exist with the majority of European countries under which citizens living away from home receive social insurance protection.
21. Invalidity pensions and pensions for widows are part of the Social Security System. Pensions are not provided for orphans. Pensions are granted as a matter of right; there is no means test.

#### MINIMUM SERVICE REQUIREMENTS

22. In order to receive a pension for age, the employee must have contributed at least 15 years; for invalidity there is no minimum contributory period.
23. For certain persons who do not qualify for the Social Security pension, a so-called "Old Workers Allowance" is available, involving a means test.
24. In order for a widow to receive a pension, the employee must have retired or, if he dies in service, must have had at least 15 years of taxable employment.

#### RETIREMENT AGES

25. The normal retirement age for both sexes is 65. An employee may retire with a reduced pension at age 60. The longer the employee works, the higher his pension, if it is deferred until he retires.

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26. In event of invalidity (disability), there is no minimum age limit.

#### CONTRIBUTIONS

27. The required contributions are 6% by employees between the ages of 15 and 65 (2% thereafter) and 10% by employers, of earnings not in excess of Frs. 456,000. Earnings include overtime and any bonus which the employer is in the habit of paying.

28. Of the total contributions, 9% is credited to age and service pensions, and 7% to other Social Security benefits, including invalidity pensions.

#### PENSIONS FOR EMPLOYEES

29. The maximum pension is based on 30 years of contributory service, and will not be available until 1960, when 30 years will have elapsed since the beginning of Social Security. The rate is 1-1/3% per year, so that the eventual maximum pension will be 40%. A special rule now in effect gives the employee his credits since 1930, plus one-half of the credits to 1960; in other words, in 1953, 23 years plus 3.5 years or 26.5 years at 1-1/3% each, or 35.33%.

30. The 1945 law stipulated that the pension be based on the average earnings of the last 10 years. Nevertheless, because of inflation in recent years, the procedure is as follows:

- (a) If in each of the last 10 years the employee's earnings have reached or exceeded the earnings maximum then in effect, his pension will be based upon his final year's earnings.
- (b) If in some or all of the last 10 years, his earnings have fallen short of the maximum, a proportionate adjustment is made for such year, or years, but against his final year.

31. How rapidly the conditions have changed is shown by the following table:

<u>Effective Period</u>	<u>Maximum Earnings Included</u>
From 1-1-47 to 9-30-47	Frs. 150,000
10-1-47 to 2-28-48	204,000
3-1-48 to 2-28-49	228,000
3-1-49 to 12-31-50	264,000
1-1-51 to 9-30-51	324,000
10-1-51 to 3-31-52	408,000
4-1-52 to date	456,000

32. Early Retirement is permitted at age 60 after 15 years of contribution. The pension then available for life is 50% of that available if then age 65; in other words, currently 17.67% (half of 35.33%); eventually 20%.

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33. Deferred Retirement is permissible without limit as to working age. The credit over age 60, beginning with 1960, will reach a maximum of 4% per year, resulting in a 40% pension at age 65, 60% at 70, etc., provided, however, that the maximum shall be 40% of Frs. 456,000, or Frs. 182,400. The employee may elect to draw his pension from age 65 and to continue working, without, however, any further pension credits.

34. Invalidity which is presumably permanent, and incapacitates the employee at least two-thirds of the normal earning capacity for his category in his region, entitles him to a pension of 40% of his final earnings, irrespective of age or length of the contributory period. If he is able to do some work, he receives 30%. If he is so disabled that he requires continuous care, the 40% is increased by Frs. 120,000 per year.

ALLOWANCE FOR CHILDREN

35. An allowance for children is granted the pensioner, to the extent of 10% of his pension base, if he has raised 3 or more children to the age of 16.

PENSIONS FOR BENEFICIARIES

36. Death Payment is 90 times the daily basic earnings, not in excess of Frs. 114,000, and is payable in addition to any pension to beneficiaries.

37. Spouse. From age 65 in any event, or earlier if unable to work, a pension is payable to the spouse equal to 50% of the formerly employed person's pension, or 50% of credits to date of death if the employee dies in service.

38. If both spouses worked, each is entitled to a direct pension.

39. 50% of any extra allowance being received by the pensioner for having raised 3 or more children to age 16, or to which he was prospectively entitled, is also payable to a surviving spouse.

40. Orphans are not covered by the Social Security pension system.

MINIMUM PENSIONS

41. The minimum pensions payable for age or invalidity are the same as the Old Workers Allowances.

42. A survivor pension is subject to a minimum of 50% of these allowances.

OLD WORKERS ALLOWANCES

43. If an employee cannot qualify for a Social Security pension because of less than 15 years of contributions, or if he has been employed 25 years in a field to which Social Security did not extend, he may from age 65 receive an annual Government allowance as follows:

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	<u>Paris Area</u>	<u>Places Over 5,000 Population</u>	<u>Places Under 5,000 Population</u>
Worker	Frs. 63,200	Frs. 59,800	Frs. 56,400
Spouse, under age 65	5,000	5,000	5,000
Spouse, age 65 or older	29,900	29,900	29,900
Additional if 3 children raised to age 16	5,980	5,980	5,640

provided the income for the worker does not exceed Frs. 180,000 per year; for a couple Frs. 232,000. If the income is larger, the allowances are proportionately reduced.

#### ADDITIONAL BENEFITS

44. The Social Security law provides, in addition to pensions, benefits for sickness, medical and surgical care, hospitalization, maternity care, death, and for furthering community health.

#### PART 4: SUPERVISORS PENSION AND INSURANCE PLAN (Retraites de Cadres)

##### DESCRIPTION OF PLAN

45. The plan for supervisors is based upon a Convention Collective Nationale, dated March 14, 1947, between the French National Employers Association and four unions, three general, to which all classes of employees may belong, and one limited to supervisory employees. The system has Government approval, but is privately operated.

46. The plan operates in an earnings zone three times that applicable to Social Security, i.e., currently between Frs. 456,000 and 1,824,000.

47. Employers are permitted to operate their own Funds (Caisse) or to join with other employers in the same industry or to join a general Fund. At present there are 48 Funds, all under the direction of the General Association of Supervisor Pension Organizations (Association Generale des Institutions de Retraites des Cadres, commonly called A.G.I.R.C.).

48. There are separate pension plans for persons employed in banking, electricity, gas, mining, railroading, and Government administration. All other supervisory employees, covered by the Convention Collective, must belong to one of the A.G.I.R.C. Funds. Who is covered is set forth in this agreement. Generally speaking, any one in a professional or administrative position above the rank of foreman is eligible. It is permissible for other employees who earn more than the Social Security maximum to be included in the Supervisors Plan, but this is seldom done, partly because the Social Security maximum has been raised frequently and borderline cases offer administrative difficulties.

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FUNCTIONS OF A.G.I.R.C.

49. The principal functions of this organization, stipulated in the Convention Collective Nationale, are:

- (a) To see that all Funds provide equal benefits for the contributions received.
- (b) To audit the Funds.
- (c) To provide actuarial advice and supervision.
- (d) To establish each year the "reference salary" used to determine points credited for each year of service.
- (e) To establish each year the "retirement point value", used to fix the amount of pension payable in each year to all persons retiring or previously retired.

50. The A.G.I.R.C. has no financial responsibilities. Each Fund is independent. Currently, the practice is to operate on a disbursement basis, with a moderate surplus.

SOME STATISTICS

51. From the excellent annual reports of A.G.I.R.C. the following consolidated figures have been selected:

At The End Of 1952

(a)	Number of employers in the Funds	57,500
(b)	Number of active employees in the Funds (average age 46.33)	369,100
(c)	Number of pensioned employees (average age 69.8)	38,950
(d)	Number of pensioned widows (average age 67)	30,075
(e)	Number of pensioned full orphans	131
(f)	Total number of pensioned persons	69,156
(g)	Number of pension points of all annuitants	1,140,000,000
(h)	Reserve at end of year	Frs. 24,993,000,000

During 1952

(i)	Net receipts during year (78% of theoretical)	Frs. 18,957,000,000
(j)	Disbursements	16,235,000,000



CONTRIBUTIONS

52. The original provisions called for contributions in each year of 2% by employees and 6% by employers of all earnings in the effective zone, currently between Frs. 456,000 and 1,824,000. In 1952, it was decided to operate the Funds upon a disbursement basis, with only a moderate surplus, and as a result the collections in 1952 were 78%, and in 1953 are to be 80%, of these stipulated percentages. The words "theoretical" and "real" have therefore been applied to contributions.

53. Credits for point calculation purposes are upon the theoretical basis, even if actual contributions are less.

54. Credits also are given annually for additional contributions by employees and employers for pension purposes. Under the regulations, each may pay equal amounts up to 4%, making the maximum 6% by employees and 10% by employers.

55. Many groups of employees and employers are paying this maximum, the overall average in the Funds now being about 12% for pensions. Additional payments, up to 16% in all, may also be, and in many cases are, made for other forms of benefits; for example, to extend benefits of the Social Security system beyond Frs. 456,000, to provide for invalidity before age 60 under the Supervisors Plan, and to increase death benefits.

56. Under the Convention Collective Nationale, employers are called upon to pay 1.5% additional on earnings in the first Frs. 456,000 zone in order to provide life insurance for that amount. Outside of this agreement, employers frequently pay for additional life insurance covering one year's salary.

MINIMUM SERVICE REQUIREMENTS

57. In order to receive any form of pension, the supervisory employee must have had at least 10 years of service with one or more employers operating under the Convention Collective Nationale, not necessarily all in a supervisory capacity. This minimum service may all have antedated the establishment of the Convention in 1947.

RETIREMENT AGES

58. Normal retirement age for both sexes is 65. To employees retiring at this age, pensions are payable in the amounts shown below.

59. Early retirement, except for invalidity, is permissible at age 55, based on points to date of retirement, less an actuarial discount.

60. Invalidity pensions are payable after age 60, without actuarial discount.

61. Deferred retirement operates to add 5% for each year of service between ages 65 and 70 to the basic pension available at 65. In other words, the maximum pension for an employee who works to age 70 or later, and then draws

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his pension, is 125% of the age 65 rate.

62. Discontinuing Employment. Theoretically, it is expected that an employee will withdraw from gainful employment before a pension is paid to him. Practically, pensions are paid if the employee continues to work for his last employer on a reduced activity basis, or if after a year he takes over employment.

#### PENSIONS FOR EMPLOYEES

63. Basis of Calculation. The amount of pension payable to an employee whether for normal, early, deferred, or invalidity retirement, is calculated upon a rather unusual basis, designed to keep all pensions in force upon a basis attuned to the cost of living. For each calendar year, A.G.I.R.C. makes a set of calculations, as follows:

- (a) The first step is to establish the "differential salary", which is the average salary of the members of all the Funds, in excess of the Social Security zone. This differential salary started in 1948 at Frs. 296,500 and in 1952 was Frs. 626,797.
- (b) The second step is to multiply this salary by 8%, the theoretical minimum contribution. For 1952, the result was Frs. 50,144.
- (c) The third step is to select a figure which will give the average employee about the same number of points for each year, the so-called "reference salary". For 1948, this figure was 37; for 1952 and currently it is 76.
- (d) The 1952 average contributions of Frs. 50,144 divided by the reference salary of 76 gives 660 points to the average employee. It has been the intention to keep this figure close to 650.
- (e) Finally, the "retirement point value" is determined for each year by dividing the total contributions during the year by the total of the accumulated points of all annuitants (including widows and orphans) at the end of the year. In 1947 the figure was 4, gradually increasing until for 1952 and currently it is 12.5.

64. Past Service. Credit for service prior to April, 1947 was based on appropriate reference salaries for one or more years in which an employee who joined the Supervisors Plan had served in a supervisory capacity. Of course, for these prior years no contributions had been made, nor were any later required. The benefits were paid out of subsequent Fund income.

65. Maximum Service credited. Pensions are based on actual service in the supervisory class, not in excess of 30 years. War service is credited over and beyond this total.

66. Actual Points Determine Pension. While the unit figures are based on averages, each employee is credited for each year on the contributions actually

made for him (which may exceed 8%), divided by the reference salary. When he retires, the total of his accumulated points are multiplied by the retirement point value, and that determines his annual pension. For example:

- (a) An employee retires at age 65.
- (b) His total retirement points are 29,500.
- (c) His pension, currently, would be  $29,500 \times 12.5$ , or Frs. 368,750 per year.

67. Adjustment In Amount Of Pension. In any year thereafter in which the retirement point value is more or less than 12.5, his pension will be correspondingly increased or decreased. All pensions in force at any time are subject to such annual adjustment.

68. Relation Of Pension To Earnings. We were advised that currently the annual pension credited averages about 1.2% of earnings. In other words, between Frs. 456,000 and 1,824,000, the future service credit is about 1.2% per year.

69. It is interesting to note that the pension points are related to average earnings and the retirement point value to final earnings, giving a result somewhere between an average pay and a final pay plan.

#### ALLOWANCE FOR CHILDREN

70. Any pension granted a retired employee, or to a widow or widower, is increased where the employee has had 3 or more children. In the case of parents, there is no requirement as to a minimum age reached by each child. If, however, another person has raised the children each must have attained age 16, and that person must have had each child in charge at least 9 years before age 16.

71. The allowance is 10% of the pension otherwise payable for 3 children; 15% for 4; 20% for 5; 25% for 6; and 30% for 7 or more.

#### PENSIONS FOR BENEFICIARIES

72. Pensions are payable, under certain conditions, to widows and widowers and to full orphans. In each case, the pension is based on that which the employee was receiving at the time of death, or upon the credits to date of death (not discounted for years earlier than 65) if the employee died in service.

73. Widows after age 50, or earlier so long as they have the care of at least 2 children under age 21, receive 60%.

74. Widowers if invalided, or if they have the care of at least 2 children under age 21, also receive 60%.

75. Full orphans receive 20% each up to age 21. If both parents were recipients of or entitled to eventual pensions, the higher of the two pensions is used as the basis for payments to full orphans.

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PART 5: FAMILY ALLOWANCES

76. Irrespective of classification, earnings, or need, a special law provides for Family Allowances. They are important because they add greatly to the earnings of lower paid persons who have families of some size. These allowances do not, however, enter into the calculation of the Social Security pension.

77. Employers pay a special tax to cover these allowances; now 16.75% of payroll, not in excess of Frs. 456,000 per employee.

78. The present monthly allowances in the Paris area are as follows:

<u>Number Of Dependent Children</u>	<u>Basic Allowance</u>	<u>Increase In Allowance</u>	<u>Addition If Only One Parent Earns A Salary</u>	<u>Total Per Month</u>
1 child under 5 years of age			Frs. 3,450	Frs. 3,450
1 child between 5 and 10 years of age, or couple married 2 years, without a child			1,725	1,725
2 children	Frs. 3,450	Frs. 935	6,900	11,285
3 children	8,625	2,375	8,625	19,625
4 children	13,800	3,815	8,625	26,240
5 children	18,975	5,255	8,625	32,855
Per additional child	5,175	1,440		6,615

79. A child is covered to age 16 if not working; to age 17 if apprenticed; and to age 20 if in school or incapacitated.

80. The importance of the Family Allowance becomes clear when compared to the average hourly industrial worker's income of around Frs. 40,000 per month. See paragraph 8. In 1951 and 1952, tax receipts for Family Allowances were only a trifle in excess of disbursements.

PART 6: TOTAL EMPLOYER CONTRIBUTIONS

81. While there may be some additional taxes paid by employers toward the social insurance protection of their employees, the following are believed to be the principal ones:

<u>Purpose Of Tax</u>	<u>Rate</u>	<u>Based On Annual Remuneration Of</u>
National Pension System	6%	First Frs. 456,000
Other Social Security Benefits	4%	First Frs. 456,000
Supervisors Pension Plans	6%	Between Frs. 456,000 and 1,824,000
Supervisors Insurance Plans	1.5%	Generally to Frs. 1,824,000
Family Allowances	16.75%	First Frs. 456,000
To relieve employees of (flat) Income Tax No. 1	5.0%	Entire payroll

82. Bonuses which are usually paid in June, and again near the year end, which average in the aggregate about one month's earnings, are timed for vacation and Christmas purposes and are a form of social benefit in addition to the above list.

#### PART 7: PRIVATE PENSION PLANS

##### NUMBER OF PLANS

83. It was the consensus of opinion, among the persons consulted, that private supplementary pension plans are general among large employers in France, and frequently also are found among smaller organizations. There appear to be no official statistics which enable one to quote figures with any reasonable certainty, but we were advised that there are perhaps 7,000 to 8,000 insured private pension plans covering various classes of employees, and about 500 on the whole larger uninsured plans. These plans, if funded, have the funds segregated from the employer's assets. One million employees was the estimate for those covered by all these plans. In addition, there are many insured plans for relatively small groups of supervisors.

##### TYPES OF PLANS

There seem to be two principal types of private pension plans, namely:

84. Specific Additional Benefits. Such plans, very much as in the United States, give stipulated additional benefits per year of service in each of the three earnings zones. For example:

(1)	In first Frs. 456,000	1.0%
(2)	In next Frs. 1,368,000	1.0
(3)	Over Frs. 1,824,000	2.0

85. These plans also provide past service, and may call for employee contributions. Where the normal retirement age of women is 60, the benefit rate

for them may be increased to produce an adequate pension, because the Social Security pension normally begins at age 65. Such plans lend themselves readily to insurance or trusteeship.

86. Over-all End Result. Such plans stipulate that when the employee attains normal retirement age, his over-all retirement income, including Social Security and supervisors pensions, shall be a percentage of his (usually) final pay, related to years of service. 60% for 40 years of service is perhaps a representative figure; lesser service at lower rates, but not necessarily proportional to years.

87. This type of plan is likely to be handled on a disbursement basis, because, with changing earnings levels, it is impossible to forecast the cost accurately.

88. We were told in two cases by large companies with long experience that the cost of plans of this liberality was now about 2% of payroll and that their cost was not expected to exceed 5%, at least for some years to come.

89. Combination Plans. The change in earnings has been so great since older specific additional benefit plans were established, that in some cases the employer has added a supplementary benefit to achieve a reasonable relation to final earnings. It seems logical for any new private plan to use the over-all end result<sup>+</sup> supplementary form, so long as the financial situation in France does not seem to have stabilized.

90. Plan Provisions. Plans examined indicate that they involve the usual provisions for early and deferred retirement, and that it is customary to provide invalidity pensions and pensions for widows and orphans. Furthermore, it is customary to provide group life insurance with pension plans, one year's pay being a common figure.

#### PART 8: TAX STATUS OF CORPORATIONS AND INDIVIDUALS

##### CORPORATION INCOME TAXES

91. Corporations are permitted to deduct as operating expense all payments toward Social Security, supervisor plans, and private pension plans.

92. The present corporation tax rate is 34% of net profit, irrespective of the size of the corporation.

##### INDIVIDUAL INCOME TAXES

93. Insofar as income tax is concerned, employees are permitted to deduct taxes and contributions toward the Social Security System, supervisor plans, and private pension plans.

94. Flat Tax (Taxe Proportionnelle). A former direct tax, since 1949 has been replaced with the following arrangement:

- (a) Employers pay a 5% tax on the entire active payroll, and employees pay no flat tax. This employment tax is also deductible as operating expense.

(b) Pensioned employees may be on one of two bases:

- (1) If pensioned by a supervisor fund or certain private funds or mutual associations, Government authorized and operating upon a disbursement (unfunded) basis, the pensioning organization pays a tax of 3% of the entire pension roll, and the retired employee is relieved of the flat tax.
- (2) If pensioned by an insurance company or other organization unauthorized to pay the 3% tax, it is payable by the employee, but deductible for purposes of the graded tax.

96. Graded Tax (Surtaxe Progressive). This tax is payable every year by all taxpayers on every form of income, including any form of pension or retirement income. The tax rates and amounts payable, by zones, are:

<u>Annual Income</u>		<u>Rate</u>	<u>Amount</u>	<u>Percent Of Total Income (Top Of Zone)</u>
From Frs.	0 to Frs.	180,000	0%	Frs. 0 0%
	180,000 to	350,000	10	17,000 4.8
	350,000 to	600,000	15	37,500 9.1
	600,000 to	900,000	20	60,000 12.7
	900,000 to	1,500,000	30	180,000 19.6
	1,500,000 to	3,000,000	40	600,000 29.8
	3,000,000 to	6,000,000	50*	1,500,000 39.9
Over	6,000,000		60*	

\*Where the Family Coefficient is 1, these two rates are increased to 55% and 70% respectively.

97. Family Coefficient. In order to determine the amount of income subject to tax, the total income (less contributions to Social Security and supervisors and private pension plans) is divided by a coefficient, based on the degree of family responsibility:

	<u>Coefficient</u>
(a) Bachelor, widow or widower, or divorced; no dependent children	1
(b) Bachelor, widow or widowed, or divorced; 1 dependent child	2
(c) Married; no dependent children	2
(d) Married; 1 dependent child	2.5
(e) Married; 2 dependent children	3

etc., the additional credit per dependent child being 0.5.

98. A dependent child is one under the age of 21 (in some cases 25) who has no separate income.

99. The following example assumes a married man, with three minor children. His coefficient therefore is 3.5. If his taxable income is Frs. 1,750,000, his tax base is Frs. 500,000. His tax from the foregoing table:

Frs.	0 to Frs. 180,000	Frs.	0
	180,000 to 350,000		17,000
	350,000 to 500,000		<u>22,500</u>
			39,500
			<u>3.5</u>
Multiplied by his coefficient of			
Producing a tax of			
or, as a percent of Frs. 1,750,000			
			138,250
			7.9%